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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK

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In re:

Chapter 11
Case No.: 23-72433-reg

SPROUT MORTGAGE LLC,

Debtor.
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**TRUSTEE’S APPLICATION SEEKING ENTRY OF AN ORDER
PURSUANT TO RULE 2004 OF THE FEDERAL RULES OF BANKRUPTCY
PROCEDURE AUTHORIZING THE SERVICE OF A SUBPOENA UPON
GOLDMAN SACHS BANK USA DIRECTING THE PRODUCTION OF DOCUMENTS**

TO: HON. ROBERT E. GROSSMAN
UNITED STATES BANKRUPTCY JUDGE

Allan B. Mendelsohn, the operating trustee (the “Operating Trustee”) of the Estate of Sprout Mortgage, LLC, the debtor (the “Debtor”), by and through his attorneys, The Kantrow Law Group, PLLC, respectfully submits this as and for his application (the “Application”) seeking the entry of an Order pursuant to Rule 2004 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) authorizing the service of a subpoena upon Goldman Sachs Bank USA, 200 West Street, New York, New York 10282 to the attention of David M. Solomon, CEO (“Goldman Sachs Bank”) directing the production of documents and states as follows:

BACKGROUND

1. On or about July 5, 2023, an involuntary petition was filed against Sprout Mortgage LLC, seeking the entry of an Order for Relief pursuant to chapter 7 of title 11 of the United States Code (the “Bankruptcy Code”). After a contested hearing before the Court on August 9, 2023, at which Sprout Mortgage LLC opposed the entry of an Order for Relief, the Court determined that

such relief was appropriate and should be granted. Upon the entry of the Order for Relief on August 11, 2023, Allan B. Mendelsohn was appointed the interim Trustee.

2. Subsequently, the Debtor sought and obtained an Order of the Court converting the instant case from one under chapter 7 of the Bankruptcy Code to one under chapter 11 of the Bankruptcy Code. By Order dated October 20, 2023, the Court converted the case. Allan B. Mendelsohn was appointed as the Operating Trustee.

3. During the investigation into the Debtor's financial dealings, Alvarez & Marcel North America, LLC, the Trustee's financial advisors ("Financial Advisors") uncovered considerable transfers from the Debtor and related entities Goldman Sachs Bank. Moreover, the transfers were characterized as distributions on the Debtor's books and records. At this time, the Trustee must review documents from Goldman Sachs Bank so that he may determine what the relationship was between Goldman Sachs Bank and the Debtor and the reason for the substantial transfers.

RELIEF REQUESTED

4. By this Application, the Trustee seeks an Order of this Court, substantially in the form of the proposed Order annexed hereto compelling Sebonack to produce documents specified in Schedule "A".

5. Bankruptcy Rule 2004 provides, in pertinent part, as follows:

(a) Examination on Motion. On Motion of any party in interest, the court may order the examination of any entity.

(b) Scope of Examination. The examination of any entity under this rule or of the debtor under §343 of the Code may relate only to the acts, conduct, or property or to the liabilities and financial condition of the debtor, or to any matter which may affect the administration of the debtor's estate, or to the debtor's right to a discharge . . . [T]he examination may also relate to the operation of any business and the desirability of its continuance, the source of any money or property acquired by the debtor for purposes of consummating a plan and

the consideration given therefor, and any other matter relevant to the case or to the formulation of a plan.

(c) Compelling Attendance and Production of Documents. The attendance of an entity for examination and for the production of documents, whether the examination is to be conducted within or without the district in which the case is pending, may be compelled as provided in Rule 9016 for the attendance of a witness at a hearing or trial. As an officer of the court, an attorney may issue and sign a subpoena on behalf of the court for the district in which the examination is to be held if the attorney is admitted to practice in that court or in the court in which the case is pending.

Fed. R. Bankr. P. 2004(a), (c), (d).

6. Examinations under Rule 2004 include within their scope, *inter alia*, any matter that may relate to the property and assets of the estate; the financial condition of the debtor; any matter that may affect the administration of a debtor's estate. Courts have consistently recognized that the scope of discovery under Bankruptcy Rule 2004 is extraordinarily broad. *See, e.g., In re Ionosphere Clubs, Inc.*, 156 B.R. 414, 432 (S.D.N.Y. 1993) (likening the scope of a Rule 2004 examination to a 'fishing expedition'); *In re Bakalis*, 199 B.R. 443, 447 (Bankr. E.D.N.Y. 1996); *In re Bennett Funding Group, Inc.*, 203 B.R. 24, 28 (Bankr. N.D.N.Y. 1996) (holding that the scope of a Rule 2004 examination is "admittedly unfettered and broad". (citations omitted).

7. The discovery sought by this Application goes directly to the acts, conduct and administration of the Debtor's estate. Specifically, the Trustee seeks, *inter alia*, information relating to the Debtor's finances and debt. Accordingly, the requested discovery is directly related to the "acts, conduct or property or to the liabilities of the Debtor's estate" and is appropriate under Rule 2004.

WHEREFORE, the Trustee respectfully requests that this Court grant the Application in its entirety and enter an Order substantially in the form of the proposed Order annexed hereto and grant any such further relief as this Court deems just and proper under the facts and circumstances herein.

Dated: Smithtown, New York
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